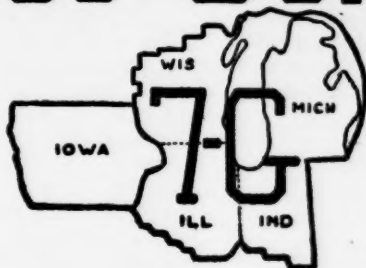


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

Volume 15, No. 2

MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

January 30, 1932

General Summary

THE close of 1931, though revealing industrial activity at a low ebb as compared with other years, witnessed an expanding tendency in several phases of manufacture and the usual seasonal increase in the merchandising of commodities. December automobile production, for instance, increased considerably over November, the gain being contrary to seasonal trend. Activity at malleable casting foundries was also greater during the month, and orders for steel castings increased in the aggregate. The iron and steel, furniture, shoe, and building industries, on the other hand, were operating at an extremely low level at the end of the year. Employment data, largely influenced by the expansion in the automobile industry, showed the first increase in the total for manufacturing groups since May.

In food-producing industries, gains over the preceding month and over a year ago were shown in December production of meats and of butter, while the manufacture of Wisconsin cheese declined in these comparisons. Sales of butter totaled heavier than in November or last December, but distribution of the other two commodities declined in the monthly comparison, and sales of packing-house products were smaller than a year ago. The movement of grain during the month was light.

The expansion in December department store trade was greater than usual for the month, while chain store, the retail shoe, and retail furniture trades had seasonally heavier sales. Several lines of wholesale trade, namely, groceries, drugs, and electrical supplies, recorded gains over November, and the declines shown in wholesale hardware, dry goods, and shoe sales were less than sea-

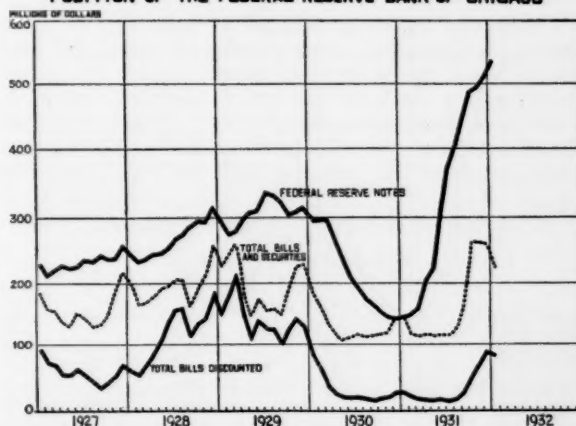
sonal. Wholesale distribution of automobiles increased in the aggregate over November, but retail sales of cars continued to decline.

A further slight gain in borrowings by member banks at the Reserve bank took place between December 16 and January 13 this year. There has been no interruption to the downward trend of loans and investments of reporting member banks, nor to the decline in deposits therein. Money rates have continued to show firmness.

Credit Conditions and Money Rates

Borrowings of member banks at the Reserve bank increased slightly during the period December 16, 1931 to January 13 of this year. In the table below are analyzed the changes in factors influencing the volume of discounts for member banks. It will be noted therein, that among those elements tending to increase borrowing, the outstanding changes were a decrease in holdings of United States securities (local transactions) of 40 million dollars, an increase in demand for currency of about 15 millions, and a decrease in holdings of acceptances (local transactions) of almost 4½ millions. The principal developments making for decreased borrowing were a de-

POSITION OF THE FEDERAL RESERVE BANK OF CHICAGO



Monthly averages of weekly figures. Latest figures, averages of first three weeks in January, 1932.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	JAN. 13 1932	CHANGE FROM DEC. 16 1931	JAN. 14 1931
Total Bills and Securities.....	\$219.3	\$-64.2	\$+73.7
Bills Discounted.....	78.3	+0.3	+52.3
Bills Bought.....	29.9	-32.4	-6.8
U. S. Government Securities.....	107.6	-31.9	+25.7
Total Reserves.....	634.1	+54.3	+264.3
Total Deposits.....	285.2	-35.4	-50.6
Federal Reserve Notes in Circulation.....	533.8	+25.7	+390.2
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	77.4%	+7.5*	+0.3*

*Number of Points.

cline in member bank reserve balances of over 30 million dollars and an excess of local Treasury expenditures over receipts of more than 25 millions. These two items, however, together with 3½ million dollars in funds gained through inter-district settlements for commercial and financial transactions and small decreases in unexpended capital funds and nonmember clearing balances, were in the aggregate slightly less than the total changes making for increased borrowing, so that loans to member banks on January 13 showed a gain of 350 thousand dollars over December 16.

FACTORS IN MEMBER BANK BORROWING AT THE FEDERAL RESERVE BANK OF CHICAGO

Changes between December 16, 1931 and January 13, 1932 (In millions of dollars)	
Changes making for increase in member bank borrowing:	
1. Decrease in holdings of U. S. securities (local transactions).....	40.00
2. Increase in demand for currency.....	14.89
3. Decrease in holdings of acceptances (local transactions).....	4.43
4. Decrease in reserve bank float.....	1.65
5. Decrease in holdings of other securities.....	0.20
6. Sales of gold to industry.....	0.03
Total.....	61.20
Changes making for decrease in member bank borrowing:	
1. Decrease in member bank reserve balances.....	30.82
2. Excess of local Treasury expenditures over receipts.....	25.37
3. Funds gained through inter-district settlements for commercial and financial transactions.....	3.44
4. Decrease in unexpended capital funds.....	1.19
5. Decrease in non-member clearing balances.....	0.03
Total.....	60.85
Excess of changes making for increase in member bank borrowing:	0.35
Absorption of this excess: Increase in member bank borrowings (discounts for member banks).....	0.35

MEMBER BANK CREDIT

On January 13, the total loans and investments of reporting member banks in the Seventh district declined more than 100 million dollars from the aggregate shown December 16, and in excess of 600 million dollars from January 14, 1931. The decline from the December totals involved a decrease of 56 millions in loans on securities, of 11 millions in "all other" loans, and a decrease of 36 millions in investments. As against January 14 a year ago, loans on securities dropped 297 million dollars, "all other" loans 230 millions, and investments some 78 millions. Deposits continued to show diminished volume; on January 13, the decrease from December 16 in net demand deposits amounted to 63 million dollars and to 385 millions from the corresponding reporting date in 1931; the declines in time deposits were 40 and 256 million dollars, respectively, in the two comparisons.

Down-town banks in Chicago reported 4¼ to 5 per cent as the prevailing range of rates on customers' commercial loans during the week ended January 15; in the corresponding week of December, identical banks reported this range as 3½ to 6 per cent. The average rate earned on loans and discounts by down-town Chicago banks reporting the item was 4.72 per cent during the

CONDITION OF REPORTING MEMBER BANKS, SEVENTH DISTRICT

(Amounts in millions of dollars)		CHANGE FROM	
	JAN. 13 1932	DEC. 16 1931	JAN. 14 1931
Total Loans and Investments.....	\$2,740	\$-103	\$-605
Loans on Securities.....	919	-56	-297
All Other Loans.....	1,025	-11	-230
Investments.....	796	-36	-78
Net Demand Deposits.....	1,504	-63	-385
Time Deposits.....	1,016	-40	-256
Borrowings from Federal Reserve Bank.....	47	-1	+38

calendar month of December, as against 4.55 per cent in November and 4.53 in December 1930. Prevailing rates on customers' commercial loans in Detroit were reported as 5 to 6 per cent for the week ended January 15, as compared with 5 to 5½ per cent during the corresponding week in December.

Commercial paper sales of reporting dealers in the Middle West remained small in volume during December, being one per cent less than in November and 80 per cent below the usual level for the month. Restricted volume of borrowing as well as a light demand contributed toward this limited market. Commercial paper outstandings aggregated only one-fourth as large on December 31 as the eight-year average for that date. December selling rates ranged from 3½ and 4 per cent for low to 4 and 4½ per cent for high, although most paper moved at 3¾ and 4 per cent. Sales for the first half of January showed an expansion of approximately 40 per cent over the corresponding period of December, owing to an increase in the supply and to some improvement in the demand. Closing quotations for January 15 were reported as 3½ to 3¾ per cent for low and 4 to 4½ per cent for high, with most sales being transacted at 3¾ and 4 per cent.

Activity in the Chicago bill market was further reduced during the five weeks ended January 13. Supplies declined 60 per cent from the preceding period, owing to a reduction of 29 per cent in purchases from local accepting banks and of 78 per cent in the volume of receipts from Eastern markets. This resulted in decreased buying on the part of both city and out-of-town banks, so that average weekly sales fell off 65 per cent in the comparison with those of November 11 to December 9. In addition, shipments to other offices decreased approximately 49 per cent. Since the demand was sufficient to absorb current offerings, dealer holdings of bankers' acceptances in the Middle West remained practically unchanged on December 31 from November 30; however, they totaled 35½ per cent greater than at the end of 1930. Rates eased, the closing quotations for January 13 being 2¾ per cent for 30-day offerings and 3¼ per cent for those of 180 days.

AVERAGE WEEKLY TRANSACTIONS OF REPORTING DEALERS IN THE CHICAGO BILL MARKET

December 10, 1931 to January 13, 1932		PER CENT CHANGE IN COMPARISON WITH PERIOD FROM	
		NOV. 11 TO DEC. 9 1931	DEC. 11, 1930 TO JAN. 14 1931
Bills purchased.....	-29.3	-66.3	
Bills sold.....	-65.2	-79.3	
Holdings*.....	+0.2	+35.7	

*At end of period.

Bill transactions of accepting banks in the Seventh Federal Reserve district increased in December, although new financing by means of acceptance credits totaled 12 per cent less than in November, and there was a corresponding reduction in the discounting of these bills by the originating banks. Purchases of other banks' accept-

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)		PER CENT OF INCREASE OR DECREASE FROM	
		NOV. 1931	DEC. 1930
Chicago.....	\$2,588	+10.5	-31.2
Detroit, Milwaukee, and Indianapolis.....	1,094	+24.7	-24.8
Total four larger cities.....	\$3,682	+14.4	-29.4
34 smaller centers.....	681	+12.3	-23.6
Total 38 centers.....	\$4,363	+14.1	-28.6

ances, however, showed marked expansion over the limited volume of a month previous. As a reflection of Eastern demand, sales also increased, so that portfolios of accepting institutions in the district declined from the beginning of December and remained considerably under a year ago. A further reduction of 21 per cent in the value of new bills accepted during the first half of January was shown in the comparison with the corresponding weeks of December. The recession reflected decreased borrowing for grain, tobacco, coffee, and miscellaneous commodities, and increased financing for sugar, iron and steel, canned goods, general merchandise, cement, wood pulp, and yeast.

TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN DECEMBER 1931 FROM NOVEMBER 1931	DECEMBER 1930
Total value of bills accepted.....	-12.4	-34.2
Purchases.....	+8.2	-32.5
Sales.....	+63.9	-41.0
Holdings*.....	-20.8	-45.3
Liability for outstandings*.....	-2.6	-38.6

*At end of month.

SECURITY MARKETS

The final month of the year in the Chicago bond market was characterized by a small volume of trading accompanied by extremely erratic price movements. The most recent decline in prices, which began early in November, continued through the middle of December at which time there was a reversal in trend, and although prices fluctuated considerably, a general improvement was shown in most issues. Second grade rail and industrial bonds were leaders in this upward price movement, while the highest grade rail and utility bonds worked fractionally higher. Sudden declines in United States government issues were, in general, followed by sharp rallies. The number of new issues offered during December was at the lowest point in several years, both in comparison with previous months and with the corresponding month in recent years. The offerings themselves were confined almost entirely to municipal and some public utility issues. Investment houses reporting to this bank showed no apparent outstanding source of demand. Stock prices on the Chicago Exchange fell to new low levels during December. The average price of twenty leading stocks* on December 17 amounted to only \$33.45; a slight improvement has taken place since then, however, the average on January 16, 1932 being \$38.10.

*Chicago Journal of Commerce.

Agricultural Products

GRAIN MARKETING

Both the domestic movement and exports of wheat in December declined from November, as is usual for the month. European demand was restricted in anticipation of early shipments of the new crop from the southern hemisphere. Receipts of wheat at interior primary markets were the lowest for December in ten years, and shipments were also the smallest with the exception of December 1921 and 1930. United States exports for the season since July 1 totaled about 4½ million bushels under the same period of last year; however, in each week except two since the first of October, exports have surpassed the same week of 1930. A fairly large movement from Pacific ports is included in this year's total. On January 1 the

visible supply totaled only 13 per cent larger than on July 1, which compares with a 76 per cent increase between the same dates a year previous and with 109 per cent for the ten-year average. Farm stocks are not considered excessive in view of the probable extent of feeding of wheat to live stock.

Receipts and shipments of oats, and shipments of corn in December were the smallest of any month in ten years, while corn receipts were lower than for any December in the same period. Early in January, the visible supply of each grain was below the volume of a year ago.

All grain prices were irregular and tended moderately downward. Domestic wheat prices remained too close to the Liverpool level to permit an increase in the export movement.

MOVEMENT OF LIVE STOCK

Receipts of live stock at public stock yards in the United States, except for hogs, showed a greater than seasonal change in volume during December. Marketings of cattle, lambs, and calves decreased from the preceding month and a year ago, but those of hogs increased. Although lamb receipts remained above the ten-year average, those of other live stock continued to show marked declines in the comparison.

The movement of cattle and lambs to feed lots decreased as is usual from November, and was less than in 1930 or the average for the month.

MEAT PACKING

Production at slaughtering establishments in the United States increased 24½ per cent in December. This gain over November being greater than usual, the volume exceeded that of a year ago by 7½ per cent and totaled 3½ per cent greater than the ten-year average for the month. Payrolls at the close of the period, however, reflected an increase over November, of only ½ per cent in number of employees, with a reduction of 8 per cent shown in hours worked and of 6 per cent in wage payments. Furthermore, the total value of sales billed to domestic and foreign customers fell off 10½ per cent from November and 31½ per cent from December 1930, as the result of price declines from the preceding month and year ago in practically all packing-house commodities. For the calendar year 1931, production expanded 1½ per cent over a year earlier, while dollar sales decreased 27 per cent. This recession, however, was largely the result of lower prices than in 1930 and of a reduction in

LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District,				
December 1931*.....	170	1,199	363	105
Federally Inspected Slaughter,				
United States				
December 1931.....	686	5,387	1,581	388
November 1931.....	614	4,218	1,505	355
December 1930.....	692	4,647	1,426	398

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED	MONTHS OF	
	JAN. 16	DEC.	NOV.
	1932	1931	1931
Native Beef Steers (average).....	\$6.80	\$7.25	\$8.65
Fat Cows and Heifers.....	4.80	4.30	4.95
Calves.....	6.65	5.80	6.00
Hogs (bulk of sales).....	4.05	4.25	4.65
Yearling Sheep.....	4.15	4.05	4.30
Lambs.....	5.70	5.10	5.55

*Exclusive of Fort Wayne, which failed to report in December.

export trade. Inventories increased more than a seasonal amount on January 1 in comparison with the beginning of December, but continued somewhat less in the aggregate than a year ago or the average for the month.

Owing to a larger supply of lard than in the preceding month, December shipments for export considerably exceeded those of November; also, demand for lard already landed both in the United Kingdom and on the Continent was fair to good. Trade in meats, on the other hand, remained exceptionally quiet, and there was only a moderate inquiry for oleo materials. European quotations for lard were fully on a parity with those in the United States, but the prices for meats continued at a discount. American inventories of packing-house commodities in Europe, including stocks in transit, increased on January 1 over the early part of December.

DAIRY PRODUCTS

Seventh district butter production in December, which exceeded that of November by 2 per cent, totaled 10½ per cent greater than a year ago and 13 per cent above the 1923-30 average for the month. Influenced by easing prices, the sales tonnage expanded 16 per cent in December over the preceding period and 11½ per cent over a year previous. Increases of 3 and 5 per cent also were recorded in annual production and sales, respectively, for 1931 over the calendar year 1930. Butter manufacturing in the United States likewise appears to have gained in December over November and a year ago. United States inventories of the commodity on January 1, after being reduced further during the month, totaled less than half the volume at the beginning of 1931 or the 1927-31 average for the date.

At Wisconsin factories, the production of American cheese decreased 13 per cent during the four weeks ended January 2 from the preceding period, and aggregated 2 per cent smaller than in the corresponding weeks of 1930. Although merchandising of the commodity exceeded the manufacture by 15½ per cent, it fell 21 per cent below that of November 9 to December 5. Prices held fairly steady. Both production and distribution averaged approximately 3 per cent smaller during the calendar year 1931 than in 1930. January 1 inventories of cheese in the United States showed a smaller reduction than is usual from December 1, but continued under the preceding year and the 1927-31 average for January 1.

Industrial Employment Conditions

In the period from November 15 to December 15, reporting manufacturing firms in the Seventh district increased their number of employes by 3½ per cent and had 3 per cent larger payrolls. This gain, which is contrary to the December trend in four of the previous five years, was the first improvement shown by the total of these ten groups since May 1931.

While gains in both employment and wages were recorded by three groups, in employment alone by three, and in payrolls only by two others, the upward trend was largely determined by the automobile industry. No similar year-end expansion of employment in this industry is shown by our records, and it apparently corresponds to the activity about two months earlier in previous years in preparation for new models. The textile group also made substantial gains, expansion occurring mainly in

the clothing industries. The leather group gained moderately, as shoe factories in Illinois began operations after a period of inactivity. Rubber products had larger wage payments because of increased hours at Michigan plants. The usual winter contraction continued in the stone, clay and glass products group.

In non-manufacturing, two groups gained, but the increases were more than offset by losses in the other two, so that the non-manufacturing total continued the downward trend of the previous five months. An average seasonal increase was recorded by merchandising employment, incident to the Christmas expansion of department stores and wholesale lines supplying them, and coal mining gained slightly. The seasonal curtailment of construction work continued, with a heavy loss shown for the month, and the utilities declined moderately.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

As in December 1930, production of automobiles in the last month of 1931 expanded over the preceding month, contrary to seasonal trend. The increase this December, however, was considerably greater than a year previous, that in passenger car output totaling 101 per cent, against a gain of only 20 per cent in the same period of 1930, although the 96,753 units produced represented a decline of 20 per cent from last December. For the calendar year 1931, passenger automobile production in the United States amounted to less than 2 million cars, whereas in 1930 it totaled about 2¾ million and in the peak year 1929, 4½ million. Truck production in December, totaling 23,636, increased 20 per cent over the preceding month and declined 29 per cent from December a year previous, while output for the year 1931 of 416,660, showed a reduction of 27 per cent from 1930 and of 46 per cent from 1929.

Wholesale distribution of automobiles during December in the Middle West for the second successive month showed an expansion in the aggregate for reporting firms, and it likewise totaled greater than a year previous. Retail sales, however, were seasonally light, and the number of used cars sold declined to 10 per cent from November. Stocks of both new and used cars at the end of December

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF DECEMBER 15, 1931			CHANGES FROM NOVEMBER 15	
	REPORTING FIRMS NO.	WAGE EARNERS NO.	EARNINGS ('000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products ¹	767	150,256	3,036	-1.6	+0.3
Vehicles.....	149	150,905	4,061	+14.3	+8.1
Textiles and Products.....	162	29,734	489	+3.3	+12.4
Food and Products.....	352	53,377	1,231	+0.5	-0.7
Stone, Clay and Glass.....	152	7,513	155	-10.3	-15.4
Wood Products.....	296	26,370	411	+0.2	-1.2
Chemical Products.....	102	14,435	360	-0.7	-1.8
Leather Products.....	74	14,550	202	+0.8	-1.4
Rubber Products ²	8	5,952	149	-1.9	+8.1
Paper and Printing.....	322	42,544	1,121	+0.6	+2.5
Total Mfg., 10 Groups....	2,384	495,636	11,215	+3.5	+3.2
Merchandising ³	178	32,474	754	+10.3	+4.5
Public Utilities.....	73	88,168	2,854	-1.2	-2.1
Coal Mining.....	16	3,556	73	+1.6	+0.8
Construction.....	166	6,698	171	-16.0	-16.7
Total Non-Mfg., 4 Groups.	433	123,896	3,852	-4.8	-1.7
Total, 14 Groups.....	2,817	626,532	15,067	+2.9	+1.9

¹Other than Vehicles. ²Michigan and Wisconsin. ³Illinois and Wisconsin.

were moderately larger than a month previous. From the accompanying table it may be noted that the number of new cars distributed at wholesale and retail during 1931 in this section was more than 25 per cent below the 1930 level, while used car sales were approximately 15 per cent smaller. Stocks were kept low throughout the year.

Of the December sales of twenty-five dealers, 57 per cent were made on the deferred payment plan, which ratio is little changed from a month previous or a year ago.

IRON AND STEEL PRODUCTS

At no time during 1931 did the average rate of operations of Chicago district steel mills exceed 60 per cent of capacity, and the year closed with the rate at only 15 per cent. After the first of the year, operations were accelerated slightly to approximately 25 per cent of capacity, which compares, however, with 40 per cent in the middle of January 1931. Some slight improvement in demand took place during the last month of the year, especially from the automotive industry, but railroad and construction demand remained dull. Pig iron production in the Illinois and Indiana district increased slightly in December for the second consecutive month, in contrast to declines shown for the country as a whole. Iron and steel prices have been better stabilized in recent weeks, while the market for scrap materials has been dull and weak.

Activity during 1931 at steel casting foundries of the Seventh district averaged only about 45 per cent of the 1930 level, and that at malleable foundries about 55 per cent. In December, however, some improvement took place, orders booked, shipments, and production of malleable castings expanding over a month previous, while orders for steel castings increased, although shipments and production were less. Shipments of reporting stove and furnace manufacturers in the district declined seasonally in December, falling one-third below the November level, and new orders were smaller by about the same amount. As compared with the corresponding month of 1930, shipments totaled 26 per cent less and orders booked 17 per cent smaller.

FURNITURE

The December volume of orders booked by Seventh district furniture manufacturers reporting to this bank

was extremely light, totaling one-third under that of November; the index for the month, based on 1923-1924-1925 orders, stood at only 23. Shipments, also, though somewhat in excess of orders booked, were very small, declining seasonally 15 per cent from a month previous. Unfilled orders outstanding at the close of the month amounted to approximately 75 per cent of current orders booked—the same ratio as a month earlier—having declined in the month-to-month comparison in the same percentage as new orders. In the comparison with year ago figures, orders booked this December were less by 38 per cent, shipments by 21 per cent, and unfilled orders by 35 per cent. The rate of operations maintained during the month approximated 45 per cent of capacity, comparing with a rate of 48 per cent obtaining in November and 49 per cent in December 1930.

SHOE MANUFACTURING, TANNING, AND HIDES

Seventh district shoe production decreased further in December to a point below any other month on record (January 1923). The volume fell 8 per cent under a year ago and totaled one-third less than the 1923-30 average for December. Leather tanning declined from a month earlier, but sales of the commodity increased; both showed a recession from December 1930. Prices held fairly steady.

The Chicago hide and calf skin market remained inactive during the entire month of December. Purchases by district tanneries, however, were reported as being in excess of November. Shipments from the city also gained.

Building Material, Construction Work

The usual end-of-the-year decline took place during December in distribution of building materials in this district. All lines shared in the downward movement from November, some, however, to a less than seasonal extent.

Reporting retail yards had 13 per cent smaller sales of all materials than in November, which compares with losses of 30 per cent in December of 1930 and 32 per cent for the five-year average. The decline from the corresponding month of a year previous was the smallest of any month since March 1930. Despite the lower sales, stocks were further reduced as they have been continuously during 1931. Prices were reported lower for lumber but were practically unchanged for other materials. Thirty-five yards reporting both the volume and value of lumber sold showed 18 per cent lower dollar sales than in

MIDWEST DISTRIBUTION OF AUTOMOBILES

	DECEMBER 1931 PER CENT CHANGE FROM		CALENDAR YEAR 1931 PER CENT CHANGE FROM CALENDAR YEAR 1930	COMPANIES INCLUDED
	NOVEMBER 1931	DECEMBER 1930		
New Cars				
Wholesale—				
Number Sold.....	+14.3	+12.9	-25.9	15
Value.....	+11.8	+12.6	-34.7	15
Retail—				
Number Sold.....	-3.0	-18.7	-27.6	41
Value.....	-13.0	-26.0	-25.7	41
On Hand End of Month—				
Number.....	+9.6	-27.2	-31.1*	43
Value.....	+10.6	-31.9	-30.5*	43
Used Cars				
Number Sold.....	-10.3	-9.0	-14.3	43
Salable on Hand—				
Number.....	+4.4	-9.5	-25.0*	43
Value.....	+5.1	+7.9	-28.8*	43

*Average end of month.

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	DEC. 1931: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	NOV. 1931	DEC. 1930	
Wholesale Lumber:			
Sales in Dollars.....	-8.0	-37.0	15
Sales in Board Feet.....	-9.2	-22.1	13
Accounts Outstanding ¹	-3.0	-21.4	12
Retail Building Materials:			
Total Sales in Dollars.....	-12.9	-11.4	139
Lumber Sales in Board Feet.....	-2.9	-15.8	36
Accounts Outstanding ¹	-9.9	-17.6	131
Ratio of accounts outstanding ¹ to dollar sales during month			
	DEC. 1931	NOV. 1931	DEC. 1930
Wholesale Trade.....	253.5	236.1	207.8
Retail Trade.....	429.1	406.7	464.5

¹End of month.

November, while board foot sales declined only 4 per cent. The ratio of accounts to dollar sales was higher than a month earlier but was below December 1930.

Sales of lumber at wholesale also declined less than in December of the last two years, both in board feet and dollar amount. Outstanding accounts were only slightly reduced, and the accounts to dollar sales ratio reached the highest point in our records of the past five years. Production of both cement and clay products was lower than in November, which is the usual December trend; prices were quoted lower at the beginning of January.

BUILDING CONSTRUCTION

Following the small increase recorded in total building contracts awarded during November in the Seventh district, the volume for December again declined, reaching the lowest point for any month since January 1919 when the figure amounted to only a little more than 10 million dollars. Residential contracts, totaling only 17 per cent of all building contracts for December, dropped to the lowest point on our records (1919). Similarly, large declines were shown in the cumulative totals for the year 1931 as compared to previous years.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
December 1931.....	\$15,195,087	\$2,634,994
Change from November 1931.....	-28%	-27%
Change from December 1930.....	-51%	-55%
Calendar Year 1931.....	\$427,646,848	\$85,037,003
Change from year 1930.....	-40%	-46%

*Data furnished by F. W. Dodge Corporation.

The total estimated cost of building permits for 104 cities reporting to this bank registered a recession of 3½ per cent in December from the November figure, and the usual large decline from a year ago was shown, which amounted to 48 per cent. The number of permits issued in these same cities decreased in both the monthly and year-to-year comparison, by 40 and 26 per cent, respectively. Chicago was the only large city to record a gain in estimated cost during December, the increase, however, being due largely to the inclusion of one permit of \$2,000,000 for a nurses' home. This and gains in Peoria and Oak Park helped to offset, in part, the heavy declines recorded in other cities. Chicago likewise registered an increase of 10 per cent over a year ago in estimated cost.

Merchandising

Some improvement was noted during December in wholesale trade conditions of the district: grocery sales increased slightly over November, in contrast to a decline of 9 per cent shown in the eight-year average for the month; drug sales expanded 7 per cent, and those of

electrical supplies 20 per cent; and the decreases of 4, 9, and 15 per cent recorded in hardware, dry goods, and shoes, respectively, were smaller than usual for the period. Although heavy declines continued to be shown in the year-to-year comparison, in hardware, shoes, and electrical supplies they were smaller than in a similar comparison for November. Recessions for the calendar year 1931 from 1930 ranged from 14 per cent in groceries to 33 per cent in electrical supplies, drug sales declining 15 per cent, dry goods and shoes 25 per cent each, and hardware 27 per cent. Stocks showed a declining trend in December, and in all lines remained considerably below the level of a year previous. Collection conditions, as reflected in ratios of accounts receivable to net sales, continued slow as compared with a year ago, although half the groups showed a reduction in the December ratio from the preceding month.

The expansion of 66 per cent for December over November in Seventh district department store trade, though largely seasonal in character, was greater than shown in any other December on our records (1922) and compared with 48 per cent as the average increase for the previous nine years. A gain of 85 per cent in sales of Chicago stores was partly responsible for the large increase in the district total; sales of Detroit and Indianapolis stores expanded 64 and 67 per cent, respectively, but those of Milwaukee firms and stores in smaller cities increased by only 52 and 55 per cent. It will be noted in the table, however, that Chicago trade recorded the heaviest decline from December 1930 and, with the exception of Detroit, for the calendar year 1931 from the year previous. Stock turnover in 1931 was very slightly greater than in 1930, averaging 3.89 times, as compared with 3.81 times; December stocks were seasonally reduced and about 15 per cent smaller than a year ago.

Retail shoe sales of reporting dealers and department stores gained 47 per cent in December over the preceding month, which increase is above the average for the past five years. As compared with last December, sales were 20 per cent lower, while the decline for the year 1931 from 1930 was 13 per cent. Similarly, the dollar volume of furniture sold by dealers and department stores increased seasonally 26 per cent over November, but declined 21 per cent from the corresponding month a year ago, and sales for the year totaled 15 per cent below 1930. The dollar volume sold during 1931 by 217 retail hardware firms in the five states of the district was one-fourth smaller than a year previous.

Total sales of 16 chains operating 2,590 stores in December exceeded those of November by 62 per cent, and were 8 per cent under last December. All the reporting

WHOLESALE TRADE IN DECEMBER 1931

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCTS. OUTSTAND- ING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLEC- TIONS	
Groceries.....	-22.2	-26.0	-0.6	-20.6	106.8
Hardware.....	-25.4	-11.9	-14.9	-32.8	301.0
Dry Goods.....	-22.5	-21.8	-23.8	-30.7	329.8
Drugs.....	-19.3	-15.7	-9.8	-27.2	203.9
Shoes.....	-26.5	-23.3	-21.1	-35.3	462.1
Electrical Supplies.....	-34.3	-30.9	-24.2	-38.3	153.1

DEPARTMENT STORE TRADE IN DECEMBER 1931

LOCALITY	PER CENT CHANGE DECEMBER 1931 FROM DECEMBER 1930		PER CENT CHANGE CALENDAR YEAR 1931 FROM CALENDAR YEAR 1930	RATIO OF DEC. COL- LECTIONS TO ACCOUNTS OUTSTANDING NOVEMBER 30	
	NET SALES	STOCKS END OF MONTH		1931	1930
Chicago.....	-23.1	-15.9	-15.4	32.9	34.9
Detroit.....	-18.1	-18.9	-16.1	40.7	42.9
Indianapolis.....	-12.6	-13.7	-10.2	34.0	35.3
Milwaukee.....	-15.9	-10.0
Other Cities.....	-18.3	-12.5	-13.1
7th District.....	-18.8	-14.9	-14.0	33.9	37.2

groups participated in the increase over a month previous; in the comparison with a year ago, grocery, cigar, drug, furniture, men's clothing, and five-and-ten-cent chains reported declines, while shoes alone showed an increase. The number of units was approximately the same in both comparisons, so that average sales per store recorded sim-

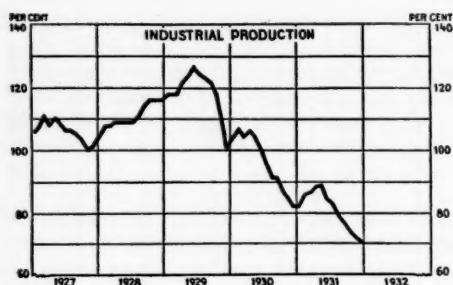
ilar changes. A decline of 4 per cent was shown in total sales for the year 1931 from the preceding year. The number of units operated increased 2 per cent during the past year; consequently, average sales per store declined $5\frac{1}{2}$ per cent. All groups except drugs showed declines in the aggregate sales for the year.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

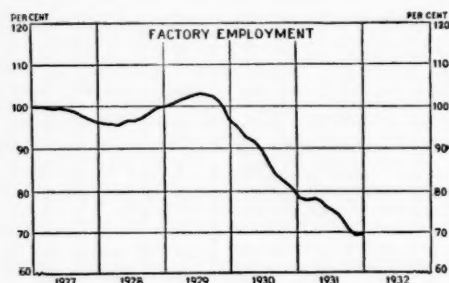
(Index numbers express a comparison of unit or dollar volume for the month indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Dec. 1931	Nov. 1931	Oct. 1931	Sept. 1931	Aug. 1931	July 1931	Dec. 1930	Nov. 1930	Oct. 1930	Sept. 1930	Aug. 1930	July 1930
Meat Packing—(U. S.)—													
Sales (in dollars).....	63	58	65	79	74	74	75	85	89	105	102	98	97
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	15	19	18	20	21	23	25	31	32	42	46	57	61
In Tons.....	15	20	19	20	19	22	24	30	30	42	48	62	65
Malleable—In Dollars.....	23	16	14	16	17	21	22	27	25	31	33	32	33
In Tons.....	23	27	22	25	26	33	36	40	36	44	48	46	49
Stoves and Furnaces—													
Shipments (in dollars).....	11	61	87	143	111	79	63	86	118	200	150	110	96
Furniture—													
Orders (in dollars).....	25	23	33	37	44	43	35	41	51	61	77	61	80
Shipments (in dollars).....	25	32	35	43	47	39	42	43	52	81	79	67	54
Flour—													
Production (in bbls.).....	26	97	103	123	122	128	112	100	103	118	122	116	106
Output of Butter by Creameries—													
Production.....	67	89	88	100	95	114	127	83	78	94	97	115	131
Sales.....	69	105	90	102	106	117	123	94	94	96	95	111	120
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	31	69	69	78	87	85	93	87	86	104	103	99	99
Hardware.....	14	45	47	57	55	50	58	59	63	88	75	66	70
Dry Goods.....	9	39	43	49	53	41	38	51	55	71	71	58	46
Drugs.....	13	71	70	79	78	76	78	83	84	102	95	88	88
Shoes.....	7	39	44	58	60	55	45	53	72	93	84	81	53
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	26	127	74	84	73	61	60	165	99	110	94	77	66
Detroit.....	5	149	92	95	123	78	71	184	121	118	150	97	80
Indianapolis.....	5	134	80	90	89	67	61	154	97	98	114	74	70
Milwaukee.....	5	141	92	102	89	73	75	167	111	116	107	80	75
Other Cities.....	50	119	77	86	72	70	59	146	96	103	86	81	68
Seventh District.....	91	131	80	89	85	67	63	165	104	110	105	81	70
Automobile Production (U. S.)—													
Passenger Cars.....	33	17	20	37	53	63	63	41	34	39	60	63	76
Trucks.....	63	52	58	83	84	91	91	89	95	108	117	107	115
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....	9	12	17	18	27	20	20	20	36	42	44	37	42
Total.....	22	31	27	49	64	59	51	51	58	77	88	86	80
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....	41	41	41	43	44	50	50	72	76	79	82	91	95
United States.....	32	38	39	40	42	48	48	55	63	71	77	83	87
Steel Ingot Production—(U. S.)*.....	38	48	44	45	50	54	54	57	66	75	82	88	84
Unfilled Orders U. S. Steel Corp.....	57	61	65	66	66	71	71	83	76	73	72	75	84

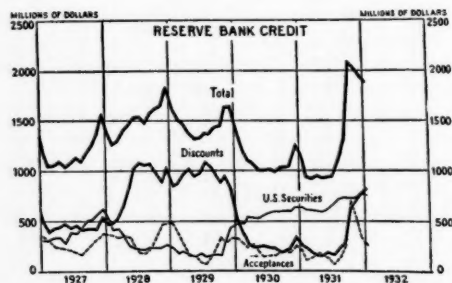
*Average daily production.



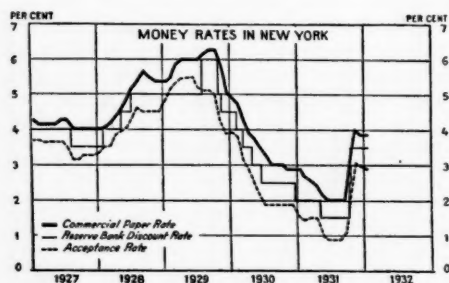
Index number of industrial production, adjusted for seasonal variation (1923-25 average = 100).



Federal Reserve Board's index of factory employment with adjustment for seasonal variation (1923-25 average = 100).



Monthly averages of daily figures for twelve Federal Reserve banks. Latest figures, averages of first 20 days in January, 1932.



Monthly rates in the open market in New York: commercial paper rate on 4- to 6-month paper. Acceptance rate on 90-day bankers' acceptances. Latest figures, averages of first 20 days in January, 1932.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

INDUSTRIAL activity declined from November to December by slightly more than the usual seasonal amount, while the volume of factory employment showed about the usual decrease. Wholesale prices declined further.

PRODUCTION AND EMPLOYMENT

Volume of industrial output decreased somewhat more than is usual in December, and the Board's seasonally adjusted index declined from 72 per cent of the 1923-1925 average in November to 71 per cent in December. Activity in the steel industry decreased from 30 to 24 per cent of capacity for the month, partly as a result of seasonal influences—in the first three weeks of January it showed a seasonal increase. Automobile output increased considerably in December from the extremely low level of the preceding month, and daily average output at shoe factories, which ordinarily declines at this season, showed little change. At textile mills, production was curtailed by more than the usual seasonal amount. Number employed at factories decreased seasonally from the middle of November to the middle of December. In the automobile and shoe industries there were large increases in employment, while in the clothing industries employment declined. In most lines, however, changes were of a seasonal character.

For the year 1931 as a whole the average volume of industrial production was about 16 per cent smaller than in 1930, reflecting large decreases in output of steel, automobiles, and building materials, offset in part by slight increases in production of textiles and shoes.

Value of building contracts awarded, as reported by the F. W. Dodge Corporation, declined considerably more than is usual from the third to the fourth quarter, and for the year as a whole was 32 per cent smaller than in 1930, reflecting reduced physical volume of construction, as well as lower building costs.

DISTRIBUTION

Distribution of commodities by rail declined by the usual seasonal amount in December, and department store sales increased by approximately the usual amount.

FOREIGN TRADE

Value of foreign trade continued at a low level in December, and for the year as a whole exports showed a decline of 37 per cent from 1930 and imports a decline of 32 per cent, reflecting in part the reduction in prices.

WHOLESALE PRICES

Wholesale prices of commodities declined from 68 per cent of the 1926 average in November to 66 per cent in December, according to the Bureau of Labor Statistics, reflecting decreases in the prices of many domestic agricultural products, sugar, silk, iron and steel, and petroleum products. During the first half of January, prices of hogs, lard, and butter declined further, while prices of cotton, silk, coffee, and copper increased.

BANK CREDIT

Reserve bank credit, which had declined from the middle of October to the middle of December and had increased in the latter part of the month, declined again in the first three weeks in January.

The growth in the latter part of December reflected a somewhat more than seasonal increase in the demand for currency, partly offset by reductions in member bank reserve balances and in deposits of foreign central banks. In January the return flow of currency was considerably smaller than in other recent years, while member bank reserve balances continued to decline. Acceptance holdings of the reserve banks, which had reached a total of \$780,000,000 in October, have declined through maturing of bills held almost uninterruptedly since that time, and on January 20 totaled \$190,000,000. The banks' portfolio of United States Government securities showed some increase over the level of the early part of December, and discounts for member banks increased substantially.

Loans and investments of member banks in leading cities declined further during December and the first two weeks of January, reflecting reductions in loans on securities, as well as in other loans, and in investments.

In the middle of January, buying rates for bankers' acceptances at the Federal Reserve banks were reduced and open-market rates on 90-day bills declined first from 3 to 2½ per cent and later to 2¼ per cent. Yields of high grade bonds, after advancing for a period of about four months, declined after the turn of the year, reflecting a rise in bond prices.

